

Auditing Procedures Report

Reset Form

Email

Issued under Public Act 2 of 1968, as amended.

Unit Name	Marquette Housing Commission	County	MARQUETTE	Type	OTHER	MuniCode	
Opinion Date	3/18/2008	Audit Submitted	3/18/2008	Fiscal Year	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

- ☒ 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- ☒ 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- ☒ 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- ☒ 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- ☒ 5. Did the local unit adopt a budget for all required funds?
- ☒ 6. Was a public hearing on the budget held in accordance with State statute?
- ☒ 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- ☒ 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- ☒ 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- ☒ 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- ☒ 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- ☒ 12. Is the local unit free of repeated reported deficiencies from previous years?
- ☒ 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it?
- ☒ 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- ☒ 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- ☒ 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- ☐ 18. Are there reported deficiencies? ☐ 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text" value="NA"/>
General Fund Expenditure:	<input type="text" value="NA"/>
Major Fund Deficit Amount:	<input type="text" value="NA"/>

General Fund Balance:	<input type="text" value="NA"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text" value="NA"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Shane M.	Last Name	Ellison	Ten Digit License Number	1101025879
CPA Street Address	201 E. Hughitt Street	City	Iron Mountain	State	MI
				Zip Code	49801
CPA Firm Name	Anderson, Tackman & Co., P.C.	Unit's Street Address	201 E. Hughitt Street	City	Iron Mountain
				Zip Code	49801

MARQUETTE HOUSING COMMISSION

REPORT ON FINANCIAL STATEMENTS

(with supplemental information)

For the Year Ended September 30, 2007

MARQUETTE HOUSING COMMISSION

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	3-4
Management Discussion and Analysis	5-8
Financial Statements:	
Statement of Net Assets.....	9
Statement of Activities	10
Statement of Revenues, Expenses, and Change in Net Assets	11
Statement of Cash Flows	12
Notes to the Financial Statements.....	13-21
Supplemental Information:	
Financial Data Schedule	23-30
Federal Audit Reports.....	31





ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

Principals - Iron Mountain:
David J. Johnson, CPA
Shane M. Ellison, CPA

Member of:
Private Companies Practice Section
American Institute of Certified
Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Marquette Housing Commission
Marquette, Michigan

We have audited the accompanying financial statements of the business-type activities of the Marquette Housing Commission, a component unit of the City of Marquette, Michigan, as of and for the year ended September 30, 2007, which collectively comprise the Commission's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Marquette Housing Commission as of September 30, 2007, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2008 on our consideration of the Marquette Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Marquette Housing Commission's basic financial statements. The Financial Data Schedule is presented for the purpose of additional analysis as required by the U.S. Department of Urban Housing and Development and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*", and is also not a required part of the basic financial statements of Marquette Housing Commission. The Financial Data Schedule and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

March 18, 2008

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Marquette Housing Commission's financial performance provides an overview of the financial activities for the year ended September 30, 2007. Please read it in conjunction with the Commission's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- Net assets for the entire Commission were \$4,097,375 for the year ended September 30, 2007 compared to \$3,997,284 for the year ended September 30, 2006.
- The Commission's operating revenues totaled \$1,385,287 for the year ended September 30, 2007 and \$1,401,883 for the year ended September 30, 2006, while operating expenses totaled \$1,472,588 for the year ended September 30, 2007 and \$1,766,481 for the year ended September 30, 2006.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows (on pages 9 to 12) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances.

REPORTING THE COMMISSION AS A WHOLE

Our analysis of the Commission as a whole begins on page 9. One of the most important questions asked about the Commission's finances is "Is the Commission, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets, Statement of Activities, and the Statement of Revenues, Expenses, and Change in Net Assets report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Commission's *net assets* and changes in them. You can think of the Commission's net assets – the difference between assets and liabilities – as one way to measure the Commission's financial health, or *financial position*. Over time, *increases or decreases* in the Commission's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the population of low income and elderly individuals.

In the Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash Flows, the Commission's activities are reported as business-type activities:

- Business-type activities – The Commission charges rent to tenants to help cover all or most of the costs of services it provides.

REPORTING THE COMMISSION'S MOST SIGNIFICANT FUNDS

Our analysis of the Commission's major activities begins on page 9. The financial statements provide detailed information on all of the Commission's activities. The Commission uses proprietary funds to account for its activities. The method of accounting for proprietary funds is explained below.

- *Proprietary funds* – The Commission charges tenants rent for the housing services it provides and these services are reported in a proprietary fund. Proprietary funds are reported in the same way for its activities and are reported in the Statement of Net Assets and the Statement of Revenues, Expenses, and Change in Net Assets.

THE COMMISSION AS A WHOLE

The Commission's combined net assets for the year ended September 30, 2007 decreased (\$357,301) from September 30, 2006.

Table 1
NET ASSETS

	September 30,	
	2007	2006
Assets		
Current assets	\$ 1,106,429	\$ 1,639,096
Capital assets (net)	<u>4,166,848</u>	<u>3,592,506</u>
Total assets	<u>5,273,277</u>	<u>5,231,602</u>
Liabilities		
Current liabilities	213,276	218,463
Noncurrent liabilities	<u>962,626</u>	<u>1,015,855</u>
Total liabilities	<u>1,175,902</u>	<u>1,234,318</u>
Net Assets		
Invested in capital assets, net of related debt	3,176,357	2,549,521
Restricted	92,654	88,381
Unrestricted	<u>828,364</u>	<u>1,359,382</u>
Net Assets	<u>\$ 4,097,375</u>	<u>\$ 3,997,284</u>

Net assets of the Commission stood at \$4,097,375 for the year ended September 30, 2007 compared to \$3,997,284 for the year ended September 30, 2006. Unrestricted net business assets were \$828,364 compared to \$1,359,382 for the year ended September 30, 2006. In general, the Commission's unrestricted net assets are used to fund operations of the Commission. The decrease in current assets and increase in capital assets was due to the Commission expending the CFFP monies received during September 30, 2006 during the current year on capital assets improvements as outlined in the CFFP agreement. The decrease in noncurrent liabilities is due to payments on debt as scheduled, see Note H.

Table 2**CHANGE IN NET ASSETS**

	Year Ended September 30,	
	2007	2006
Revenues:		
Program revenues:		
Charges for services	\$ 469,267	\$ 483,587
Program grants and subsidies	1,279,047	1,425,588
General revenues:		
Other revenues	56,316	43,688
Investment earnings	38,049	32,433
 Total revenues	 1,842,679	 1,985,296
 Program Expenses:		
Operating expenses	1,742,588	1,766,481
 Change in net assets	 100,091	 218,815
 Net assets - beginning of period	 3,997,284	 3,778,469
 Net assets - end of period	 <u>\$ 4,097,375</u>	 <u>\$ 3,997,284</u>

BUSINESS – TYPE ACTIVITIES

Revenues for the Commission totaled \$1,842,679 compared to \$1,985,296 during September 30, 2006. The Commission's average unit months leased on a monthly basis had increased during the current year. In addition, HUD operating funds and capital funding grants had decreased during the current year. The Commission depends on HUD operating and capital grants to assist in covering its operating expenses. The decrease in operating expenses was due to the following, a \$94,954 decrease in administrative expenses, a \$23,744 decrease in utilities, a \$71,251 decrease in maintenance expenses, a \$68,425 increase in general expenses, a \$16,708 increase in HAP payments and a \$59,395 increase in depreciation expense.

CAPTIAL ASSETS

Capital Assets

The Commission had \$12,298,752 invested in a variety of capital assets including land, equipment and buildings for the year ended September 30, 2007 compared to \$11,275,591 for the year ended September 30, 2006.

Table 3

CAPITAL ASSETS Business - Type Activity

	September 30,	
	2007	2006
Land and improvements	\$ 1,127,191	\$ 1,127,191
Building and improvements	9,596,598	9,328,020
Equipment	726,872	643,053
Construction in progress	<u>848,091</u>	<u>177,327</u>
Total	12,298,752	11,275,591
Less accumulated depreciation	<u>(8,131,904)</u>	<u>(7,683,085)</u>
NET CAPITAL ASSETS	<u>\$ 4,166,848</u>	<u>\$ 3,592,506</u>

The Commission invested \$1,046,379 in capital assets during the year ended September 30, 2007.

LONG-TERM DEBT

During the year the Commission repaid long-term debt principal in the amount of \$52,494, representing all long-term liability payments due from the Commission during the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Commission's appointed officials considered many factors when setting the budget for the fiscal year 2007/2008. The current availability of low income and elderly tenants has been a major contributing factor in establishing the budgeted amounts. In the upcoming year, we do not anticipate any significant change in the occupancy rate and availability of new tenants that will provide any substantial increase in revenues. There continues to be a variety of inflationary cost and expense issues out of the control of the Commission. All of these were taken into consideration during the 2007/2008 budget process.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the readers with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission's Executive Director, Bonnie Pelto, at 316 Pine Street, Marquette, Michigan 49855, or call 906-226-7559.

MARQUETTE HOUSING COMMISSION

STATEMENT OF NET ASSETS Proprietary Fund

September 30, 2007

CURRENT ASSETS:

Cash and equivalents	\$ 507,961
Accounts receivable	88,810
Investments - unrestricted	404,925
Investments - restricted	92,654
Prepaid expenses	817
Inventory	11,262

TOTAL CURRENT ASSETS	1,106,429
-----------------------------	------------------

NONCURRENT ASSETS:

Capital assets	12,298,752
Less accumulated depreciation	(8,131,904)

NET CAPITAL ASSETS	4,166,848
---------------------------	------------------

TOTAL ASSETS	5,273,277
---------------------	------------------

LIABILITIES:

Accounts payable	30,302
Accrued liabilities	89,365
Compensated absences	30,242
Current portion of long-term debt	63,367

TOTAL CURRENT LIABILITIES	213,276
----------------------------------	----------------

NONCURRENT LIABILITIES:

Long-term debt	927,124
Compensated absences	35,502

TOTAL NONCURRENT LIABILITIES	962,626
-------------------------------------	----------------

TOTAL LIABILITIES	1,175,902
--------------------------	------------------

NET ASSETS:

Investment in capital assets, net of related debt	3,176,357
Restricted net assets	92,654
Unrestricted net assets	828,364

NET ASSETS	\$ 4,097,375
-------------------	---------------------

The accompanying notes to financial statements are an integral part of this statement.





ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

MARQUETTE HOUSING COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2007

FUNCTIONS/PROGRAMS	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
BUSINESS-TYPE ACTIVITIES:				
Public Housing	\$ 1,742,588	\$ 469,267	\$ 859,704	\$ 419,343
				\$ 5,726
General revenues:				
Unrestricted investment earnings				33,776
Restricted investment earnings				4,273
Other				56,316
Total general revenues				94,365
Changes in net assets				100,091
Net assets, beginning of year				3,997,284
Net assets, end of year				\$ 4,097,375

The accompanying notes to the financial statements are an integral part of this statement.

MARQUETTE HOUSING COMMISSION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS Proprietary Fund

For the Year Ended September 30, 2007

OPERATING REVENUES:

Tenant revenue	\$ 469,267
Program grants-subsidies	859,704
Other income	<u>56,316</u>

TOTAL OPERATING REVENUES	<u>1,385,287</u>
--------------------------	------------------

OPERATING EXPENSES:

Administration	298,462
Tenant services	1,543
Utilities	297,720
Maintenance	378,691
General	105,527
Housing assistance payments	149,498
Other expenses	13,790
Depreciation	<u>448,819</u>

TOTAL OPERATING EXPENSES	<u>1,694,050</u>
--------------------------	------------------

OPERATING (LOSS)	<u>(308,763)</u>
------------------	------------------

NONOPERATING REVENUES AND (EXPENSES):

Capital grants	419,343
Interest income - unrestricted	33,776
Interest income - restricted	4,273
Interest expense	<u>(48,538)</u>

TOTAL NONOPERATING REVENUES AND (EXPENSES)	<u>408,854</u>
--	----------------

CHANGE IN NET ASSETS	100,091
----------------------	---------

NET ASSETS, BEGINNING OF YEAR	<u>3,997,284</u>
-------------------------------	------------------

NET ASSETS, END OF YEAR	<u>\$ 4,097,375</u>
-------------------------	---------------------

The accompanying notes to financial statements are an integral part of this statement.



MARQUETTE HOUSING COMMISSION

STATEMENT OF CASH FLOWS **Proprietary Fund**

For the Year Ended September 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 472,740
Cash received from grants and subsidies	818,475
Cash payments to suppliers for goods and services	(730,341)
Cash payments for wages and related benefits	(478,512)
Payment in lieu of taxes	(9,727)
Other receipts	<u>53,435</u>

NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>126,070</u>
---	----------------

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	422,846
Acquisition of capital assets	(1,046,379)
Payment on debt principal	(52,494)
Payment on debt interest	<u>(48,538)</u>

NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(724,565)</u>
--	------------------

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(17,588)
Investment income	<u>38,049</u>

NET CASH PROVIDED FROM INVESTING ACTIVITIES	<u>20,461</u>
---	---------------

NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS	(578,034)
---	-----------

CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>1,085,995</u>
---	------------------

CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 507,961</u>
-----------------------------------	-------------------

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	\$ (308,763)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	448,819
Changes in assets and liabilities:	
Decrease (Increase) in receivables	(40,637)
Decrease (Increase) in prepaids	32,573
Increase (Decrease) in accounts payable	(3,875)
Increase (Decrease) in accrued liabilities	<u>(2,047)</u>

NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>\$ 126,070</u>
---	-------------------

The accompanying notes to financial statements are an integral part of this statement.



MARQUETTE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

The Marquette Housing Commission (Commission) was formed by the City of Marquette Commission under Public Act 18 of 1933 of the State of Michigan. The Commission operates under a Board of Commissioners appointed by the City Manager.

The Commission manages 254 units of low rent public housing and 44 section 8 vouchers of which, for financial reporting purposes, includes all of the activities relevant to its operations.

Component Unit

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it was determined the Marquette Commission is a component unit of the City of Marquette, Michigan.

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

BASIS OF PRESENTATION

The Commission presents its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

Government-Wide Financial Statements:

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows display information about the Commission as a whole. They include all business-type activities of the Commission. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.



MARQUETTE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

Proprietary Fund

Proprietary Funds are used to account for operations, (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

The government-wide Statement of Net Assets, Statement of Activities, and the Statement of Revenues, Expenses and Change in Net Assets are presented using the economic resource measurement focus as defined below.

- a. The Commission utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported.

Basis of Accounting:

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

As allowed by GASB Statement No. 20, the Commission's business-type activity follows all GASB pronouncements and FASB Statements and Interpretations that were issued on or after November 30, 1989, except those that conflict with a GASB pronouncement.

ASSETS, LIABILITIES AND NET ASSETS

- a. Cash and Equivalents – The Commission's cash and cash equivalents, as reported in the Statement of Cash Flows and the Statement of Net Assets, are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less.



MARQUETTE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS

- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.
- c. Inventory – Inventory is recorded at the lower of cost or market and primarily consisted of maintenance supplies and materials
- d. Due to and Due From Other Programs – Interprogram receivables and payables arise from interprogram transactions and are recorded by all funds affected in the period in which transactions are executed.
- e. Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10-40 years
Furniture and other equipment	5-10 years

The Commission has adopted a capitalization policy for capital assets of \$1,000 per item.

- e. Compensated Absences - It is the Commission's policy to permit employees to accumulate a limited amount of earned but unused sick leave and vacation days, which will be paid to employees upon separation from the Commission. The cost of vested sick leave and vacation days are recognized as an expense as earned by the employees.
- f. Equity Classification

Equity is classified as net assets and displayed in two components:

- 1. Invested in capital assets – Consists of capital assets, net of accumulated depreciation.
- 2. Restricted net assets – Representing debt reserve funds required to be set aside as a requirement of the 2007 bond issue. These funds are required to be set aside until bonds are paid in full.



MARQUETTE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS (Continued)

3. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

REVENUES AND EXPENSES

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Expenses are classified by operating and nonoperating and are subclassified by function, such as salaries, supplies, and contracted services.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Interprogram Activity:

As a general rule, the effect of activity between programs has been eliminated from the government-wide statements.

The transfers of cash between the various Authority programs are reported separately from revenues and expenses as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing program.

Interprogram receivables and payables are eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting:

Budgets are adopted on a basis prescribed or permitted by the Department of Housing and Urban Development. All annual appropriations lapse at fiscal year end. The Commission follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Director submits to the Board a proposed operating budget for the fiscal year commencing on October 1st. The operating budget includes proposed expenses and the means of financing them. Prior to September 30th, the budget is legally adopted by Board resolution.
2. Formal budgetary integration is employed as a management control device during the year.
3. The budget has been amended. Supplemental appropriations were made during the year with the last one approved prior to September 30th.



MARQUETTE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(Continued)

NOTE B - CASH AND INVESTMENTS

Cash and Equivalents

The Commission's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Petty cash	\$ 100
Checking accounts	454,054
Savings and money market accounts	<u>53,807</u>
TOTAL	<u>\$ 507,961</u>

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. As of September 30, 2007, the Commission held cash and equivalents in excess of FDIC insurance in the amount of \$310,429 which was fully collateralized by governmental securities having a fair market value of \$371,664 at September 30, 2007.

The Commission's investments, as reported in the Statement of Net Assets, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>(Investment Maturities in Years)</u>	
		<u>Less Than 1 Year</u>	<u>1-5 Years</u>
Certificates of Deposit	<u>\$497,579</u>	<u>\$372,547</u>	<u>\$125,032</u>

Investments are recorded at fair market value, which is based on quoted market prices.

Michigan statutes authorize the Commission to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. As of September 30, 2007, the Commission held investments in excess of FDIC insurance in the amount of \$209,107 which were collateralized by governmental securities having a fair market value of \$300,000 at September 30, 2007.



MARQUETTE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(Continued)

NOTE B - CASH AND INVESTMENTS (Continued)

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Commission's investments. State law limits the allowable investments as described above. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other party to an investment will not fulfill its obligations. The Commission has no investment policy limiting its investments in excess of state law on investment credit. Ratings are not required for the Commission's investments outlined above. The Commission's investments are in accordance with statutory authority.

Concentration of Credit Risk. The Commission places no limit on the amount the Commission may invest in one issuer. However, the Commission is required to have all funds in excess of insured amounts to be collateralized. The Commission's investments and balances are with the following financial institutions:

Northern Michigan Bank, Marquette, MI	\$ 92,654
mBank, Marquette, MI	309,107
River Valley State Bank, Marquette, MI	<u>95,818</u>
Total	<u>\$497,579</u>

NOTE C - CAPITAL ASSETS

A summary of capital assets as of September 30, 2007 is as follows:

	Balance 10-1-06	Additions	Deletions	Balance 9-30-07
Land and improvements	\$ 1,127,191	\$ -	\$ -	\$ 1,127,191
Building and improvements	9,328,020	268,578	-	9,596,598
Equipment	643,053	83,819	-	726,872
Construction-in-progress	<u>177,327</u>	<u>693,982</u>	<u>(23,218)</u>	<u>848,091</u>
	11,275,591	<u>\$ 1,046,379</u>	<u>\$ (23,218)</u>	12,298,752
Accumulated depreciation	<u>(7,683,085)</u>	<u>\$ (448,819)</u>	<u>\$ -</u>	<u>(8,131,904)</u>
Net capital assets	<u>\$3,592,506</u>			<u>\$4,166,848</u>

Depreciation expense for the year was \$448,819.





MARQUETTE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE D - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE E - USE OF ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE F - VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Commission is dependent upon the Department of Housing and Urban Development (HUD) to fund its operations through operating subsidies and capital funding grants. Total revenues for the year ended September 30, 2007 totaled \$1,842,679 of which \$1,279,047 or 69.4% was from HUD subsidies and grants.

The operations of the project are subject to rules and regulations of HUD. These rules and regulations are subject to change. Such changes may occur with short notice and could create a lack of funding to pay for operational related costs, including the additional administrative burden to comply with the changes.

NOTE G - PENSION PLAN

Plan Description

The Commission participates in the City of Marquette's pension plan. The City's defined benefit pension plan provides retirement, death and disability benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

MARQUETTE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(Continued)

NOTE G – PENSION PLAN (Continued)

Funding Policy

City employees are required to contribute five percent of their annual compensation to the System. The City pays the contribution for senior management. The City is required to contribute the remaining amounts necessary to fund the System, using the actuarial basis specified by statute.

Annual Pension Cost

The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8%, (b) projected salary increases of 4.5% a year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis over a period of 30 years.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2005	\$ 545,201	100%	\$ -
6/30/2006	625,812	100%	-
6/30/2007	700,844	100%	-

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability(AAL) Entry Age (b)</u>	<u>Under- funded (AAL) (UAAL) (b-a)</u>	<u>Funded Ratio (ab)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)c)</u>
12/31/2004	24,187,555	28,468,133	4,280,578	85%	5,426,755	79%
12/31/2005	25,645,477	33,158,414	7,512,937	77%	5,435,528	159%
12/31/2006	26,951,096	36,475,540	9,524,444	74%	5,264,612	183%



MARQUETTE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(Continued)

NOTE H - CHANGES IN LONG-TERM OBLIGATIONS

During the year ended September 30, 2007, the following changes occurred in long-term obligations.

	<u>Balance</u> <u>10/1/2006</u>	<u>Additons</u>	<u>Repayments</u>	<u>Balance</u> <u>9/30/2007</u>	<u>Due Within</u> <u>One Year</u>
Bonds & Notes					
Payable	\$ 1,042,985	\$ -	\$ (52,494)	\$ 990,491	\$ 63,367
Compensated					
Absences	<u>71,239</u>	<u>-</u>	<u>(5,495)</u>	<u>65,744</u>	<u>30,242</u>
Total	<u>\$ 1,114,224</u>	<u>\$ -</u>	<u>\$ (57,989)</u>	<u>\$1,056,235</u>	<u>\$ 93,609</u>

NOTE I - LONG-TERM OBLIGATIONS

Long-term obligations at September 30, 2007 comprised of the following amounts:

1. 2006 notes payable due in monthly installments of \$1,559 including interest of 3%. Matures in 2012. \$ 92,807
 2. 2007 bond payable due in monthly installments of \$7,365 including interest of 4.7% maturing in 2021. 897,684
 3. Vested sick and vacation pay. 65,744
- Total long-term obligations. \$1,056,235

The annual requirements of long-term obligations outstanding as of September 30, 2007 are as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Bonds & Notes Payable</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2008	63,489	43,604	107,093
2009	66,251	40,842	107,093
2010	69,137	37,956	107,093
2011	72,153	34,940	107,093
2012	74,974	32,119	107,093
2013-2017	327,156	114,749	441,905
2018-2021	<u>317,331</u>	<u>30,554</u>	<u>347,885</u>
TOTAL	<u>\$ 990,491</u>	<u>\$ 334,764</u>	<u>\$1,325,255</u>

Interest charged to expenses totaled \$48,538.



**SUPPLEMENTAL
INFORMATION**



MARQUETTE HOUSING COMMISSION

Enterprise Fund

Financial Data Schedule

September 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
ASSETS					
CURRENT ASSETS:					
Cash:					
111	Cash - unrestricted	\$ 415,847	\$ 92,114	\$ -	\$ 507,961
113	Cash - restricted	-	-	-	-
100	Total cash	415,847	92,114	-	507,961
Accounts and notes receivables:					
122	Accounts receivable- HUD other projects	67,635	-	502	68,137
125	Accounts receivable - miscellaneous	18,660	-	-	18,660
126	Accounts receivable- Tenant - Dwelling Rents	2,013	-	-	2,013
126.1	Allowance for doubtful accounts - dwelling rents	-	-	-	-
120	Total receivables, net of allowances for doubtful accounts	88,308	-	502	88,810
Current investments					
131	Investments - unrestricted	404,925	-	-	404,925
132	Investments - restricted	-	-	92,654	92,654
142	Prepaid expenses	817	-	-	817
143	Inventories	11,262	-	-	11,262
144	Interprogram due from	9,709	-	-	9,709
150	TOTAL CURRENT ASSETS	930,868	92,114	93,156	1,116,138

See accompanying notes to financial statements



MARQUETTE HOUSING COMMISSION

Enterprise Fund

Financial Data Schedule

September 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
NONCURRENT ASSETS:					
Fixed assets:					
161	Land	187,180	-	-	187,180
162	Buildings	9,223,898	-	372,700	9,596,598
163	Furniture, equipment & machinery - dwellings	146,804	-	-	146,804
164	Furniture, equipment & machinery - administration	464,661	13,478	101,929	580,068
165	Leasehold improvements	939,096	-	914	940,010
166	Accumulated depreciation	(8,092,840)	(13,478)	(25,586)	(8,131,904)
167	Construction in progress	-	-	848,092	848,092
160	Total fixed assets, net of accumulated depreciation	2,868,799	-	1,298,049	4,166,848
180	TOTAL NONCURRENT ASSETS	2,868,799	-	1,298,049	4,166,848
190	TOTAL ASSETS	\$ 3,799,667	\$ 92,114	\$ 1,391,205	\$ 5,282,986

See accompanying notes to financial statements



MARQUETTE HOUSING COMMISSION

Enterprise Fund

Financial Data Schedule

September 30, 2007

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Housing Choice Vouchers</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
LIABILITIES AND NET ASSETS					
LIABILITIES:					
CURRENT LIABILITIES					
312	Accounts payable ≤ 90 days	\$ 30,063	\$ 239	-	\$ 30,302
321	Accrued wages / payroll taxes	34,919	646	-	35,565
322	Accrued compensated absences - current portion	28,337	1,905	-	30,242
325	Accrued interest payable	5,982	-	-	5,982
333	Accounts payable - other government	11,683	-	-	11,683
341	Tenant security deposits	30,493	-	-	30,493
342	Deferred revenues	5,642	-	-	5,642
343	Current portion of long-term debt	16,169	-	47,198	63,367
347	Interprogram due to	-	9,207	502	9,709
310	TOTAL CURRENT LIABILITIES	163,288	11,997	47,700	222,985
351	Long-term debt	76,638	-	850,486	927,124
354	Accrued compensated absences - non current	33,266	2,236	-	35,502
350	TOTAL NONCURRENT LIABILITIES	109,904	2,236	850,486	962,626
300	TOTAL LIABILITIES	273,192	14,233	898,186	1,185,611

See accompanying notes to financial statements



MARQUETTE HOUSING COMMISSION

Enterprise Fund

Financial Data Schedule

September 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
NET ASSETS					
Contributed Capital:					
508.1	Investment in capital assets, net of related debt	2,775,992	-	400,365	3,176,357
511.1	Restricted net assets	-	-	92,654	92,654
512.1	Unrestricted net assets	750,483	77,881	-	828,364
513	TOTAL NET ASSETS	3,526,475	77,881	493,019	4,097,375
600	TOTAL LIABILITIES AND NET ASSETS	\$ 3,799,667	\$ 92,114	\$ 1,391,205	\$ 5,282,986

See accompanying notes to financial statements



MARQUETTE HOUSING COMMISSION

Enterprise Fund
Financial Data Schedule

For the Year Ended September 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
REVENUE:					
703	Net tenant rental revenue	\$ 458,771	\$ -	\$ -	\$ 458,771
704	Tenant revenue - other	10,496	-	-	10,496
705	Total tenant revenue	469,267	-	-	469,267
706	HUD PHA grants	647,453	167,251	45,000	859,704
706.1	Capital grants	-	-	419,343	419,343
711	Investment income - unrestricted	33,776	-	-	33,776
714	Fraud recovery	-	1,300	-	1,300
715	Other revenue	55,016	-	-	55,016
720	Investment income - restricted	-	-	4,273	4,273
700	TOTAL REVENUE	1,205,512	168,551	468,616	1,842,679
EXPENSES:					
Administrative					
911	Administrative salaries	133,639	6,622	14,500	154,761
912	Auditing fees	3,240	360	1,900	5,500
914	Compensated absences	(7,309)	1,814	-	(5,495)
915	Employee benefit contributions- administrative	65,265	1,926	5,500	72,691
916	Other operating- administrative	60,616	9,715	674	71,005
	Total Administrative	255,451	20,437	22,574	298,462

See accompanying notes to financial statements



**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

MARQUETTE HOUSING COMMISSION

Enterprise Fund

Financial Data Schedule

For the Year Ended September 30, 2007

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Housing Choice Vouchers</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
Tenant services					
924	Tenant services - other	1,543	-	-	1,543
Utilities					
931	Water	51,397	-	-	51,397
932	Electricity	89,323	-	-	89,323
933	Gas	156,612	-	-	156,612
938	Other utilities expense	388	-	-	388
	Total Utilities	297,720	-	-	297,720
Maintenance					
941	Ordinary maintenance and operations - labor	181,756	-	-	181,756
942	Ordinary maintenance and operations - materials & other	37,355	-	-	37,355
943	Ordinary maintenance and operations - contract costs	88,583	-	-	88,583
945	Employee benefit contributions- ordinary maintenance	70,997	-	-	70,997
	Total Maintenance	378,691	-	-	378,691

See accompanying notes to financial statements



**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

MARQUETTE HOUSING COMMISSION

Enterprise Fund

Financial Data Schedule

For the Year Ended September 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
General expenses					
961	Insurance premiums	60,407	500	-	60,907
962	Other general expenses	-	-	25,000	25,000
963	Payments in lieu of taxes	11,683	-	-	11,683
964	Bad debt - tenant rents	7,937	-	-	7,937
967	Interest expense	8,884	-	39,654	48,538
	Total General Expenses	88,911	500	64,654	154,065
969 TOTAL OPERATING EXPENSES					
		1,022,316	20,937	87,228	1,130,481
970 EXCESS OPERATING REVENUE OVER OPERATING EXPENSES					
		183,196	147,614	381,388	712,198
971 Extraordinary maintenance					
973	Housing assistance payments	13,790	-	-	13,790
974	Depreciation expense	-	149,498	-	149,498
		425,978	-	22,841	448,819
900 TOTAL EXPENSES					
		1,462,084	170,435	110,069	1,742,588

See accompanying notes to financial statements



MARQUETTE HOUSING COMMISSION

Enterprise Fund

Financial Data Schedule

For the Year Ended September 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
	Other financing sources (uses)				
1001	Operating transfers in	-	-	-	-
1002	Operating transfers out	-	-	-	-
1010	Total other financing sources (uses)	-	-	-	-
	1000 EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	\$ (256,572)	\$ (1,884)	\$ 358,547	\$ 100,091
	MEMO account information				
1103	Beginning equity	2,965,944	79,765	983,756	4,029,465
1104	Prior Period Adjustments, Equity Transfers	817,103	-	(849,284)	(32,181)
1120	Unit months available	3,036	543	-	3,579
1121	Number of unit months leased	2,950	543	-	3,493
1117	Administrative fee equity	-	55,156	-	55,156
1118	Housing assistance payments equity	-	22,725	-	22,725

See accompanying notes to financial statements

MARQUETTE HOUSING COMMISSION

FEDERAL AUDIT REPORTS

For the Year Ended September 30, 2007

MARQUETTE HOUSING COMMISSION

TABLE OF CONTENTS

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	33-34
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	35-36
Schedule of Expenditures of Federal Awards.....	37
Notes to Schedule of Expenditures of Federal Awards	38
Schedule of Findings and Questioned Costs.....	39



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Board of Commissioners
Marquette Housing Commission
Marquette, Michigan

We have audited the financial statements of Marquette Housing Commission as of and for the year ended September 30, 2007, and have issued our report thereon dated March 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marquette Housing Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marquette Housing Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marquette Housing Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Marquette Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standard*.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

This report is intended solely for the information of the Board of Commissioners, management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than those specified parties.

Anderson Tackman & Co. PLLC

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

March 18, 2008

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Board of Commissioners
Marquette Housing Commission
Marquette, Michigan

Compliance

We have audited the compliance of Marquette Housing Commission with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*" that are applicable to each of its major federal programs for the year ended September 30, 2007. Marquette Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Marquette Housing Commission's management. Our responsibility is to express an opinion on Marquette Housing Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marquette Housing Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marquette Housing Commission's compliance with those requirements.

In our opinion Marquette Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of Marquette Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Marquette Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marquette Housing Commission's internal control over compliance.



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133
(Continued)**

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Tackman & Co. PLLC

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

March 18, 2008



MARQUETTE HOUSING COMMISSION

For the Year Ended September 30, 2007

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Federal Grantor/Pass Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Expensed as of 9-30-06</u>	<u>9-30-07 Federal Expenditures</u>
Operating Subsidy	14.850	<u>\$ 647,453</u>	<u>\$ -</u>	<u>\$ 647,453</u>
Section 8 Rental Voucher	14.871	<u>\$ 167,251</u>	<u>\$ -</u>	<u>\$ 167,251</u>
Capital Funding	14.872			
501-05		428,206	193,023	227,818
501-06		<u>392,216</u>	<u>-</u>	<u>236,525</u>
		<u>\$ 820,422</u>	<u>\$ 193,023</u>	<u>\$ 464,343</u>
Total Department of Housing and Urban Development				<u>\$ 1,279,047</u>
TOTAL FEDERAL EXPENDITURES				<u>\$ 1,279,047</u>

See accompanying notes to the schedule of expenditures of federal awards.



MARQUETTE HOUSING COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Marquette Housing Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B - COST REPORTS

Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the modernization cost reports.



MARQUETTE HOUSING COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2007

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion of the general purpose financial statements of the Marquette Housing Commission.
2. There were no significant deficiencies relating to the audit of the general purpose financial statements.
3. There were no instances of noncompliance material to the general purpose financial statements of the Marquette Housing Commission.
4. There were no significant deficiencies relating to the audit of the major federal award programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Marquette Housing Commission expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the Marquette Housing Commission.
7. The programs tested as major programs included:
 - A. Capital Funding – CFDA 14.872
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Marquette Housing Commission was determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

1. None.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. None.

PRIOR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. None.

